

Message Text

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64

ORIGIN EB-11

INFO OCT-01 EUR-25 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00

DODE-00 FRB-02 H-02 INR-10 INT-08 L-03 LAB-06 NSAE-00

NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08

TAR-02 TRSE-00 USIA-12 PRS-01 OMB-01 SIL-01 RSR-01

/167 R

DRAFTED BY EB/ OT/ GCP: SBWATKINS: TH

5/25/73: EXT. 21717

APPROVED BY EB/ OT - MR. O' MAHONY

EUR/ IB: JSMITH

EB/ OMA: MMILNE

AGR: CREYNOLDS

STR: BSTEINBOCK

COMM: WBPOUNDS

TREAS: WLMCCAMY

TREAS: WBARREDA

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P 251945 Z MAY 73

FM SECSTATE WASHDC

TO AMEMBASSY MADRID PRIORITY

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E. O. 11652: N/ A

TAGS: OUIP, ETRD, SP

SUBJECT: DISCUSSION OF ECONOMIC TOPICS

REFS: STATE 97594, STATE 98459

DELIVER TO AMBASSADOR BY 10 A. M., MAY 28.

FOLLOWING HAS BEEN PREPARED FOR AMBASSADOR' S INFORMATION
AND USE IN HIS MAY 28 MEETING WITH LOPEZ RODO. THE ITEMS
ARE KEYED TO MINISTER' S AIDE MEMOIRE WHICH WAS POUCHED TO
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MADRID LAST WEEK.

1 AND 2. RECENT TRADE STATISTICS CITED IN AIDE MEMOIRE ARE INCORRECT, USING EITHER U. S. OR SPANISH DATA. MINISTER EVIDENTALLY RECOGNIZED THIS DURING LATER PART OF VISIT. IN ANY EVENT, THE USG BELIEVES THAT BALANCE OF TRADE BY ITSELF IS NOT ADEQUATE INDICATOR OF APPROPRIATENESS OF EXCHANGE RATES. SPAIN'S STRONG RESERVE POSITION AND CURRENT ACCOUNT BALANCE SUGGESTS THAT MAINTENANCE OF PESETA GOLD PARITY IS APPROPRIATE.

3. MINISTER EXPRESSED CONCERN ABOUT PROVISIONS IN PROPOSED TRADE ACT WHICH MIGHT INJURE SPANISH EXPORTS. WE WISH TO STRESS LEGISLATIVE OBJECTIVE AS STATED BY PRESIDENT, NAMELY " TO ENABLE THE NEGOTIATION OF A MORE OPEN AND EQUITABLE WORLD TRADING SYSTEM." SUCH NEGOTIATIONS WILL EXPAND TRADING OPPORTUNITIES FOR ALL. PROVISIONS IN THE

LEGISLATION AUTHORIZING THE PRESIDENT TO INCREASE TARIFFS AND OTHER TRADE RESTRAINTS ARE SIMILAR TO AUTHORITIES MOST OTHER GOVERNMENTS ALREADY POSSESS. WE WOULD EXPECT TO USE THEM CAREFULLY. AMBASSADOR EBERLE, IN CONGRESSIONAL TESTIMONY ON THE BILL, STATED " THE ARGUMENT FOR ABIDING BY OUR INTERNATIONAL OBLIGATIONS IS STRONG. IF THE UNITED STATES WERE TO ACT CONTRARY TO INTERNATIONAL OBLIGATIONS, THIS WOULD ENCOURAGE OTHER COUNTRIES TO TAKE SIMILAR ACTION, THEREBY MAKING INTERNATIONAL OBLIGATIONS A LESS EFFECTIVE TOOL OF DIPLOMACY. THE DAMAGING EFFECT THIS MAY HAVE ON OUR NATIONAL INTERESTS IS ANOTHER MAJOR REASON FOR THE UNITED STATES TO CONFORM TO ITS OWN INTERNATIONAL OBLIGATIONS."

4 AND 5. AIDE MEMOIRE CONTAINS MISSTATEMENT SAYING U. S. IS COMMITTED TO PRIOR NEGOTIATIONS WITH GOS ON ANY TRADE MEASURES AFFECTING SPAIN. U. S. OFFICIALS CORRECTED THIS. AS EMBASSY IS AWARE, OUR COMMITMENT IS TO CONSULT FULLY WITH GOS REGARDING SPECIFIC TRADE PROBLEMS AFFECTING SPAIN WHICH MAY ARISE.

6. MINISTER LOPEZ RODO WAS REMINDED THAT THE U. S. DOES NOT CONSIDER THE PRESENT EC- SPANISH ARRANGEMENT COMPATIBLE LIMITED OFFICIAL USE

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WITH GATT OBLIGATIONS AND MOREOVER, FINDS THAT IT DISCRIMINATES AGAINST U. S. EXPORTS TO SPAIN AND EC MARKETS. THE MINISTER WAS NOTIFIED THAT WE WOULD BE PROCEEDING WITH GATT CONSULTATIONS ON THIS, BUT SUBJECT WAS NOT DISCUSSED IN DETAIL. YOU CAN STATE THAT THE USG IS INTERESTED IN LEARNING MORE ON SPAIN'S INTENTION, EXPRESSED IN THE AIDE MEMOIRE, TO RENEGOTIATE ITS TRADE AGREEMENT AS AN FTA IN

ACCORDANCE WITH THE GATT.

7. CONCERNING THE REQUEST MADE IN THE AIDE MEMOIRE, FOR AN INCREASE IN THE SPANISH TEXTILE QUOTA YOU SHOULD INFORM THE MINISTER WE WILL BE IN TOUCH SHORTLY ON THIS.

8. CONCERNING THE PLANS FOR DISPOSAL OF MERCURY, THE U. S. RESPONDED TO THE SPANISH EMBASSY NOTE ON MAY 18, MAKING THE POINT THAT ONLY A RELATIVELY SMALL QUANTITY OF MERCURY CAN BE OFFERED FOR SALE WITHOUT NEW CONGRESSIONAL AUTHORIZATION, AND WE WILL CONSULT WITH GOS WHEN THIS AUTHORIZATION OBTAINED. RUSH

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